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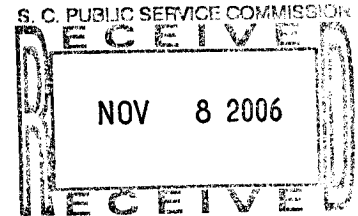
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November 8, 2006

Filed: D. Duke
Dept: SA
Date: 11.9.06
Time: _____

HAND DELIVERY

Mr. Charles L. A. Terreni
Chief Clerk of the Commission
SC Public Service Commission
P. O. Drawer 11649
Columbia, SC 29211



RE: Application of Wyboo Plantation Utilities, Inc. for Approval of
New Schedule of Rates and Charges for Water and Sewer Services
Docket No.: 2005-13-WS

Dear Mr. Terreni:

Enclosed please find the original and twenty-five (25) copies of the following:

- 1) **Direct Testimony of Daniel L. McDonald;**
- 2) **Direct Testimony of Dwight D. Samuels; and**
- 3) **Direct Testimony of Leo C. Gallagher.**

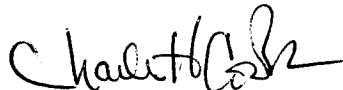
The testimony is filed on behalf of Wyboo Plantation Owners Association, Inc. in the above referenced docket. By copy of this letter, I am serving all parties of record.

I have enclosed an extra copy of this testimony which I would ask you to date stamp and return to me in the self-addressed stamped envelope enclosed for your convenience.


If you have questions or need additional information, please do not hesitate to contact me.

Sincerely,

Elliott & Elliott, P.A.


Charles H. Cook

SE/jcl
Enclosures
c: All parties of record w/enc.


SERVICE: D. Duke OK

CERTIFICATE OF SERVICE

The undersigned employee of Elliott & Elliott, P.A. does hereby certify that she has served below listed parties with a copy of the **Direct Testimony of Daniel L. McDonald; Direct Testimony of Dwight D. Samuels and Direct Testimony of Leo C. Gallagher** on behalf of Wyboo Plantation Owners Association, Inc., indicated below by mailing a copy of same to them in the United States mail, by regular mail, with sufficient postage affixed thereto and return address clearly marked on the date indicated below:

RE: Application of Wyboo Plantation Utilities, Inc. for
Approval of New Schedule of Rates and Charges for Water
and Sewer Services

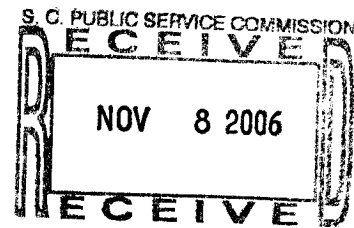
Docket No.: 2005-13-WS

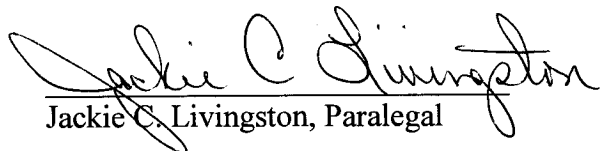
PARTIES SERVED:

Wendy B. Cartledge, Esquire
C. Lessie Hammonds, Esquire
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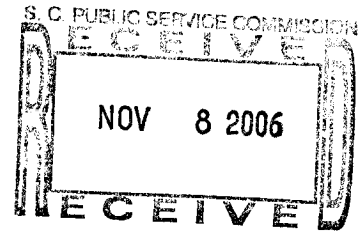
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Columbia, SC 29211




Jackie C. Livingston, Paralegal

November 8, 2006



THE PUBLIC SERVICE COMMISSION
OF
SOUTH CAROLINA

DOCKET No.: 2005-13-WS

**Application of Wyboo Plantation
Utilities, Inc. for Adjustment of Rates
and Charges for the Provision of
Water and Sewer Service**

PREFILED DIRECT TESTIMONY

OF

DWIGHT D. SAMUELS

November 7, 2006

1 **Q. Please state your name and address.**

2 **A.** My name is Dwight D. Samuels. My home address is 25 Fairway Drive,
3 Manning, SC 29102. I live at that address with my wife in Wyboo Plantation (Wyboo).

4 **Q. Are you currently employed?**

5 **A.** I am a retired engineer having worked as plant engineer for major
6 communications utilities such as Bell Atlantic, Verizon and Farmers Telephone. After I
7 retired six years ago, my wife and I moved to Wyboo.

8 **Q. What is the purpose of your testimony?**

9 **A.** I serve as co-chair of the Public Utility Committee of the Wyboo Plantation
10 Owners Association, Inc. ("homeowners association") which was appointed by the
11 homeowners association Board of Directors to oversee all utility matters in the
12 association. I am not here as an expert witness, but I have done construction, re-
13 construction, design, maintenance and repair of telephone plants, including design and
14 construction of manholes, conduit systems, and all associated underground utilities. I
15 have also inspected the placement of all phases of underground telephone systems. I am
16 familiar with the mechanics involved with respect to placement of conduits, bores,
17 manhole construction, etc. Our committee and its members have devoted many hours to
18 the water and sewer issues that are before the South Carolina Public Service Commission
19 in this docket. Those of us on the Utility Committee have spent many hours reviewing
20 and analyzing the Applicant's responses to the detailed data requests of the ORS. My
21 testimony will challenge the Applicant's need for the requested rates and will give the
22 Commission a true picture of the condition of the Applicant's (utility) facilities and the
23 Applicant's customer service.

1 **Q. Please describe briefly the water and sewer facilities in Wyboo.**

2 **A.** Wyboo is located near Manning, South Carolina. The utility's office is located in
3 Sumter, South Carolina, but it has no offices on the premises of Wyboo. The water and
4 sewer services in our subdivision were installed at the time the subdivision was
5 developed. Water is pumped from local wells by the Applicant into an above ground
6 water storage tank. Because the tank is located near the local airport, the tank has been
7 constructed at ground level; as a result, water pressure is low. Because of leaks and
8 infusion of air into the water system, the well water is very often clouded. The sewer
9 system generally operates in a two stage process where the wastewater is initially
10 collected in an underground holding tank on the homeowners property and is pumped
11 from there to the wastewater treatment facility. The utility owns and operates the
12 underground holding tanks, collector lines, and wastewater treatment facilities. As a
13 result, we as homeowners must be exceptionally vigilant about our quality of water and
14 sewer services.

15 **Q. As a customer of the Applicant and member of the Public Utility Committee,**
16 **what is your position on the Applicant's proposed rate increase?**

17 **A.** My committee and I have held meetings with most all of our homeowners. We
18 have surveyed usage and related problems. I have observed standing water leaks which
19 the Applicant would not repair for months. In fall of 2005, the Applicant took weeks to
20 repair my neighbor's pump and, having dug up the yard to make the repair, left it open
21 for weeks. This repair was not properly completed until complaints were made to Mr.
22 Wrigley. Mr. Wrigley has threatened me with a lawsuit as a result of my efforts to
23 oversee relocation of water and sewer here in Wyboo. Wyboo residents and other

1 customers of the Applicant want quality water and sewer service, with proper customer
2 service and maintenance at a reasonable cost. Based on the poor quality of water
3 service, sewer service, customer service and maintenance, a rate increase is not justified
4 at this time.

5 **Q. What other experience have you had with respect to the Applicant's service?**

6 **A.** First, I would like to address the area of maintenance and repair. The response
7 time by Applicant is totally unacceptable. When you call the office in Sumter, (if you're
8 fortunate enough to get an answer) you are advised that Mr. Wrigley will get back to you.
9 For instance, in my sewer alarm went off one morning at 5:00 AM. I called Mr. Wrigley,
10 and explained the problem to him; when told to shut off my breaker, I did. Mr. Wrigley
11 showed up at approximately 10 PM, lifted the manhole cover, lifted the pump, shook it
12 and it worked. Two days later, the same thing happened. I called and left another
13 message. Mr. Wrigley called back again and told me to shut off the breaker. He came that
14 day. Following the same procedure, he lifted the manhole cover, lifted the pump, shook it
15 and it worked. Approximately 1 week later, the same problem with the sewer system
16 happened again. I called the Applicant, got the answering service, and was given Mr.
17 Wrigley's cell phone number. I contacted Mr. Wrigley, who told me to lift the cover, lift
18 the pump, and shake it until it worked. Concerned that if I broke the pump it would be
19 my responsibility to repair, I advised Mr. Wrigley that I would wait for him or someone
20 on his behalf to come to my home to fix the pump. He showed up at approximately 10
21 PM having traveled to my home from Columbia. Once again, Mr. Wrigley lifted the
22 manhole cover, lifted the pump, and shook it and it worked. You have to understand; all
23 this time we could not use any water in the house, including flushing our toilets.

1 **Q. Was this pump ever repaired?**

2 A. Yes, Mr. Wrigley advised me it was getting air locked. Finally, the week prior to
3 Thanksgiving the sewer system stopped working again. I called the Applicant. I advised
4 Mr. Wrigley that we would be leaving on vacation and asked if sewer system might be
5 fixed by the time we returned in a week. I said I would shut off the breaker. Mr. Wrigley
6 said he would drill a hole in the pipe where it was air locked. We returned from vacation
7 and found there was no message saying it had been repaired. I saw the breaker was on
8 and then I knew it was repaired.

9 **Q. Were you satisfied with the Applicant's customer service?**

10 A. No. This whole fiasco took a month, with our being out of service and
11 inconvenienced by not being able to use the utilities in the house. As a retired utility
12 employee, I find this unacceptable; and the repair is temporary. I understand that Mr.
13 Wrigley may be employed somewhere else. If this is so, he is running his utility as a part
14 time business. We should have an immediate response to such issues, just as any other
15 type of utility would have handled a trouble call (in my experience).

16 **Q. Please describe the Applicant's water pressure.**

17 A. Between May and September of 2006, the water pressure was so low between the
18 approximate hours of 4AM to 8AM that we could not take a shower or flush a toilet.
19 After repeated calls to Mr. Wrigley and no return call, I called the South Carolina
20 Department of Health and Environmental Control. After several calls, the pressure is now
21 simply okay. I understand from DHEC that the problem with the water pressure concerns
22 the pumps, but Mr. Wrigley never explained the problem to us. Good customer service
23 would require the Applicant to communicate quickly to its customers and provide a

1 complete explanation of system failures. Moreover, in a properly maintained system,
2 problems as serious as inadequate water pressure should have been repaired sooner.

3 **Q. Is the proposed rate for swimming pools reasonable or appropriate?**

4 **A.** No. The proposed rate is unnecessary. There are approximately 14 in-ground
5 pool owners in Wyboo, including me. Typically, our pools are drained slightly during
6 periods of rain before the pools can overflow. The charge of \$39.27 is completely
7 unnecessary and unfair.

8 **Q. What impact, if any, should prospective customer growth have on the rates**
9 **requested by the Applicant?**

10 **A.** One of the reasons that the Applicant is requesting this rate increase is to
11 subsidize the new water tower and update existing equipment required to service new
12 growth in this community. With most utilities, this is called capital improvement and the
13 expense is borne by that utility and recovered by subsequent rates determined by the
14 Commission after public hearings. Therefore, we Wyboo residents should not have to
15 advance the cost of this new construction up front. The telephone and power utilities
16 construct their plants in this way and do not ask for a rate increase every time a new
17 subdivision is built or upgraded. This is a cost of doing business.

18 **Q. Please describe your concerns with the Applicant's billing practices.**

19 **A.** The Applicant's billing practice allows 15 days after the first of the month for the
20 bill to be paid without penalty. However, the bills are not received until the first, second,
21 or third day of the month. The Applicant threatens to cut off service if a bill isn't paid in
22 20 days. Given the fact that bills are received after the first of the month and given the

1 fact that service, billing and other customer inquiries are not promptly answered, the
2 Applicant's customers should be given additional time to pay without penalty.

3 **Q. Are the Applicant's services provided on a timely basis?**

4 **A.** No.

5 **Q. What is the quality of water provided?**

6 **A.** I do not drink the water unless it is filtered.

7 **Q. Are you made aware of how the water is tested and protected**
8 **environmentally?**

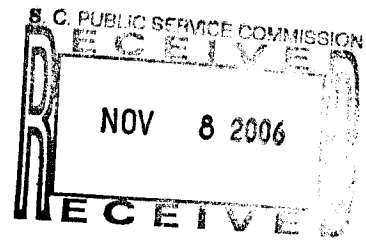
9 **A.** No.

10 **Q. Are the proposed rates just and reasonable?**

11 **A.** The Applicant proposes an increase of approximately 400% above that which we
12 are paying now. In my opinion, this is outrageous. We would ask the Commission to
13 consider the Applicant's poor customer service, poor maintenance and repair record, poor
14 response time, and the abusive attitude of the utility's principal toward the retired
15 residents of Wyboo in reaching its decision on the Applicant's proposed rates.

16 **Q. Does this conclude your testimony?**

17 **A.** Yes it does.



**THE PUBLIC SERVICE COMMISSION
OF
SOUTH CAROLINA**

DOCKET No.: 2005-13-WS

**Application of Wyboo Plantation
Utilities, Inc. for Adjustment of Rates
and Charges for the Provision of
Water and Sewer Service**

PREFILED DIRECT TESTIMONY

OF

DANIEL L. MCDONALD

November 8, 2006

1 **Q. Please state your name and current occupation.**

2 **A.** Daniel L. McDonald. I am now retired from a career at Connecticut General Life
3 Insurance Company and the CIGNA Corporation.

4 **Q. Where do you live?**

5 **A.** I live with my wife at 259 Ridge Lake Drive in Wyboo, a residential community
6 in the country about eight miles out of Manning. South Carolina.

7 **Q. Mr. McDonald, what is the purpose of your testimony?**

8 **A.** The Wyboo Plantation Owners Association, Inc. (“homeowners Association”) has
9 intervened in this case through its standing committee known as the Public Utility
10 Committee, a standing committee of the homeowners association appointed by the Board
11 of Directors. I am the co-chairman of the Public Utility Committee. In addition, my wife
12 and I own our home in Wyboo. Accordingly, I will testify to the poor service and other
13 related proposals in this application.

14 **Q. What is the homeowners association and what is its role in the community?**

15 **A.** The homeowners association itself owns certain property such as the community
16 building and other recreational common property which receive water and sewer service
17 from the Applicant (utility). Under the homeowner association’s charter and by-laws, as
18 a mutual non-profit entity, the homeowners association represents the health and welfare
19 concerns of its residents relating to, among other things, water and sewer needs.

20 **Q. Why was the Public Utility Committee formed?**

21 **A.** Since the purchase of the water and sewer utility by the Applicant, quality of our
22 water and sewer service has deteriorated. The Board of the homeowners association

1 appointed a committee to oversee the Applicant's customer service, to include water
2 quality, responsiveness to service calls, maintenance, as well as cost of service.

3 **Q. Who are the members of the Public Utility Committee?**

4 **A.** Sam Samuels, a retired engineer having worked with public utilities such as
5 Verizon and Farmers Telephone Corporation, and Leo Gallagher, a retired certified
6 public accountant, two of our committee members who are also filing testimony. Jim
7 McBride, a retired operations manager for Emerson Electric, and Bob Sternberg, a home
8 builder and contractor, are also two members of our Public Utility Committee. The sixth
9 member is Jim Stotes, a retired Public Service Commission employee. Aside from my
10 background in the insurance services industry, I worked in Human Resources and
11 Customer Service for more than twenty (20) years.

12 **Q. When did the Public Utility Committee for the homeowner association begin**
13 **to address this application?**

14 **A.** In 2005, the Applicant filed an application for new rates and charges and our
15 Public Utility Committee then began meeting with the owners to survey customer quality
16 existing at that time. Subsequently, the application was withdrawn and was refiled.

17 **Q. Has the Public Utility Committee met with the Owners to determine their**
18 **customer service problems?**

19 **A.** Yes, we have met with the owners as a group and individually at their homes to
20 observe, where possible, the specific problems they have experienced. At one such
21 meeting, over 180 residents met to address the Applicant's quality of service and
22 described the customer service problems they had experienced. The Public Utility

1 Committee also surveyed all residents to analyze the Applicant's quality of service and
2 maintenance complaints.

3 **Q. Please describe the Applicant's customer service record?**

4 **A.** First, the Public Utility Committee found that the best evidence of the Applicant's
5 poor customer service is found in the statements which many of our owners made before
6 the Public Service Commission on October 30, 2006, at the Clarendon County
7 Courthouse. The quality of service issues relate to numerous problems dealing with
8 water quality, pipe leaks, and water pressure. Moreover, the failure of the Applicant to
9 return or even accept telephone calls requesting such critical needs as drinking water and
10 sewer service outages should be addressed immediately. The Public Utility Committee
11 determined that the best policy was for owners with complaints of poor customer service
12 who have not been satisfied by the Applicant's efforts, if any, to correct their problem
13 should write the Consumer Services Division of the South Carolina Office of Regulatory
14 Staff describing their customer service complaints. These letters were furnished to the
15 Commission staff following the statements by our homeowners at the night hearing.
16 Many more letters also were written to the ORS from others who did not speak out to the
17 Commission at the night hearing. Incidentally, when this case was brought initially in
18 2005, some forty or more letters were filed in this docket as protests and remain of
19 record. We asked the homeowners to bring their current complaints to the ORS so that
20 we would have a more complete picture of this unresponsive and unprofessional utility.

21 **Q. Mr. McDonald, have you and your wife experienced problems at your home**
22 **as to water and sewer services?**

1 A. Yes. We have had a very difficult and bad experience with the utility. Early on
2 August 22, 2006, I called the Applicant to report a problem with my sewer service. After
3 explaining the problem to the person answering the phone, I found that she was just a
4 telephone answering service. I left a message for Mr. Wrigley to call me. Having no
5 response to my call for assistance, I called the Applicant at the end of the day to make a
6 second request for customer service. I was given Mr. Wrigley's cell phone number;
7 when I finally reached him, he advised me that he would visit me to investigate the
8 problem.

9 Later that week, two unidentified men arrived at my home. After examining the
10 sewer system, one of the men showed me a "mercury electrical device" and, without
11 further explanation, advised me it was not working. Then they left without telling what
12 would happen next. When Mr. Wrigley called me about my sewer service, he said "it's
13 your problem, not mine." On August 24th, Mr. Wrigley advised me, in a very adversarial
14 tone, that I would have to have the sewer system pumped out at my expense so it would
15 not overflow. When I protested that it was the utility's responsibility he handed me a
16 three-page document on his company's letterhead dated August 23, 2006, that stated that
17 the malfunctioning sewer was the result of my failure to install the system properly. I
18 then protested that I didn't install the system, that I bought the house and property with
19 the system functioning properly and that I've been paying Applicant for sewer service for
20 two and a half years. I reminded Mr. Wrigley of the letter from Chad Campbell, then of
21 the Public Service Commission, which stated that the Applicant was responsible for
22 maintaining this system and showed him a copy. Mr. Wrigley said that he disagreed
23 with the Public Service Commission. Mr. Wrigley threatened that, if I didn't sign the

1 document, he would not fix the sewer. Mr. Wrigley advised against much water usage
2 because the sewer would overflow and left. (Please see Wrigley document dated August
3 23, 2006 attached as Exhibit 1)

4 **Q. What did you do to make sure that you and your wife had sewer service?**

5 **A.** After looking down into the sewer, I became very worried that the sewer was
6 about to overflow onto my lawn and down into the lake in my back yard. I called my
7 neighbor and borrowed his small garden water fountain pump and hose. I called another
8 neighbor and borrowed his garden hose. With my hose and the other two hoses, we
9 connected all of the hoses and attached the small pump to them and lowered the pump
10 into the sewer. One end of the hose with the pump was in the sewer service on my
11 property. We then stretched the other connected hoses across my lawn and across my
12 next door neighbor's lawn to the sewer servicing his property. We started the pump and
13 eventually got enough suction to begin removing some of the sewer waste and were able
14 to pump some of it into my neighbor's sewer service. This took many hours to lower the
15 sewer water level down a little bit so it wouldn't overflow. Then we were able to flush
16 the toilet and take a quick shower.

17 A couple of days later Mr. Wrigley and another man, introduced as an electrician,
18 arrived at my front door. I told Mr. Wrigley I wasn't going to sign his three-page
19 document. He told me that I had an electrical problem and that his electrician would fix
20 the problem if I would agree, in writing before a witness, to pay for all electrical
21 maintenance labor and parts costs. I asked how much this would cost and Mr. Wrigley
22 said he could not give me an estimate. I said "Mark, that would be like me signing a
23 blank check, I need some kind of an estimate."

1 By this time, my wife was becoming very upset. Mr. Wrigley was becoming very
2 agitated. My wife pleaded with me to sign Mr. Wrigley's statement that I would pay the
3 electrician. She was tired of not being able to flush the toilet, take a shower and run the
4 dishwasher. To ease her emotions, I told Mr. Wrigley I would approve the electrical
5 work. Mr. Wrigley hand wrote a statement in his notebook and I signed that I would pay
6 for the electrical work. I asked for a copy of the statement, but he never gave me one.
7 He said they would be back to fix it.

8 **Q. Did the Applicant fix your sewer?**

9 **A.** I am not quite sure. I called Mr. Wrigley on September 7th and September 9th to
10 inquire and was only told by Mr. Wrigley only that the sewer system was functional but
11 not repaired. On occasion during September, the utility's workers presumably visited my
12 property. I know this because the front lawn was torn up. Unfortunately, we never know
13 who are workers and who are not because of a failure to identify the equipment, trucks
14 and individuals. However, I never knew what work the utility was doing and they never
15 communicated the status of their work. As of this writing, no one from the Applicant has
16 informed me as to what caused the problem, the extent of the work done, if I was going to
17 be billed, or whether all of the maintenance was completed.

18 **Q. In your opinion, are the Applicant's services provided in a timely manner?**

19 **A.** No.

20 **Q. What is the quality of the water?**

21 **A.** On occasion, the water is extremely cloudy and smells of chlorine.

22 **Q. Are you made aware of how the water is tested and protected**
23 **environmentally?**

1 **A.** I am informed that the water is tested but not how it is tested and environmentally
2 protected. During the time I have lived here, I have never been informed of a “boil-
3 water” advisory, although I know we have had water and sewer line breakages.

4 **Q.** **Do you believe the proposed increases are fair and reasonable?**

5 **A.** Absolutely not. The Applicant is presently over paid for the quality of the water
6 and for the quality of its customer sewer service. However, as a customer of the
7 Applicant and a member of Public Utility Committee, I believe that we must have a
8 functional water and sewer service. We believe the Applicant is not presenting a true
9 picture of its financial operations. Its customer service is not only inadequate but also
10 very poor. This is a reflection of its poorly trained employees and the unavailability of
11 parts and equipment. The Applicant’s representatives must be more responsive and
12 timely in returning its customers’ telephone calls and in making repairs. One last
13 comment needs to be addressed. Mark Wrigley has been adversarial to me as a customer.
14 He threatened to withhold service to me. That is his demeanor as it relates to service for
15 the utility’s customers. It has been my observation that some of our homeowners are
16 fearful to challenge or even question the Applicant’s practices. The Applicant’s customer
17 service cannot withstand the scrutiny of this Commission.

18 **Q.** **Does this conclude your testimony?**

19 **A.** Yes, thank you.

EXHIBIT 1
TO DIRECT TESTIMONY OF
DANIEL L. MCDONALD

EXHIBIT 1

WYBOO PLANTATION UTILITIES, INC.

PO Box 2099 / 19 Broad Street
Sumter, SC 29151
803-774-2010 Fax 803-774-2012

August 23, 2006

Mr./Ms. DAN McDonald
259 Ridgeline Dr.
Manning, SC.
ACC # F-26
803-478-3661

RE: Repair work on Step System at 259 Ridgeline Drive, Wyboo Plantation, SC

Dear Mr. / Ms. McDonald:

You have informed Wyboo Plantation Utilities, Inc. ("Wyboo") that the step system located on your property is malfunctioning. Wyboo has performed a preliminary inspection of your system, and believes that the malfunction is, at least in part, a result of your failure to install the system pursuant to applicable electrical and plumbing codes and standards. Wyboo must investigate your problem further in order to establish the exact cause of, and remedy for, your malfunction.

Wyboo believes that, as the homeowner, you are entirely responsible to insure that your step system is properly installed and maintained. Your step system is physically located on your property. It is located in-line between your house and the point at which your sewer lateral connects to the Wyboo system. Either you or a previous owner of your home paid for and installed the step system when your home was constructed and originally connected to the Wyboo system. You or the previous owner of your home had the electrical service connected to the step system. You pay the electrical bill every month for the step system. You control all electrical breakers and switches associated with the step system. Those breakers and switches are physically located on your property and possibly within your home. Wyboo has no documentary evidence, such as titles, agreements with you or previous owners of your property, or certificates of ownership, indicating that it owns the step system. Based upon all evidence Wyboo possess, it appears that your step system is a fixture, and that all title and ownership of the step system runs with the ownership of your property.

The South Carolina Department of Environmental Control ("DHEC") may disagree with Wyboo, and instead may believe that Wyboo bears the initial responsibility to operate and maintain your step system.

RE: Repair work on Step System at _____ Drive, Wyboo Plantation, SC

pg 2

Please know that regardless of whether Wyboo or DHEC is correct on this issue, *you, as the property owner, will be ultimately responsible for all costs associated with any repair or maintenance of your step system.* If Wyboo is correct, then you are responsible to directly arrange and pay for all upkeep and maintenance. If DHEC is correct, then Wyboo will either fix, or arrange for a third party contractor to fix, your problem, but you, as the property owner, will be responsible to reimburse Wyboo for all utility and third party costs and expenses associated with the repair of your step system, including Wyboo's internal parts and labor.

Wyboo wants for your step system to continue to operate properly. To that end, until the differences in position between Wyboo and DHEC are resolved, Wyboo is willing to address your situation pursuant to the Agreement set forth in this letter.

Wyboo will perform, or, at Wyboo's sole option, arrange for licensed third party plumbers and electricians to perform, all repairs necessary to bring your step system back into operation, and into compliance with Wyboo's system specifications and applicable electrical and plumbing codes and standards. Upon completion of this repair, Wyboo will provide to you a detailed invoice for all costs and expenses associated with Wyboo's successful completion of this work. This invoice will include the cost of all labor, whether performed by Wyboo personnel or a third party, and all parts, whether from Wyboo's internal inventory or a third party, Wyboo expends in order to satisfactorily perform the work set forth above. Wyboo's internal labor will be charged to you at an hourly rate that is consistent with charges from similar third party providers, and its parts will be charged to you at current retail replacement cost.

In exchange for all of this, you agree to allow Wyboo access to your premises necessary to perform the work. You agree to pay Wyboo within 30 days of the date of the invoice for all amounts it bills to you pursuant to this Agreement. In the event of your failure to timely pay the invoiced amount, you agree to pay all costs and reasonable attorney fees Wyboo expends in order to collect the invoiced amount.

As an additional concession to you, and as further consideration for the Agreement reflected herein, Wyboo agrees to accept payment of the invoiced amount in three equal monthly installments. Pursuant to this Agreement, your first payment will be due and payable on or before the first day of the month following the month in Wyboo issues the invoice. The subsequent two payments will be due and payable on the first day of the two succeeding months. In the event of your failure to timely pay the invoiced amount, you agree to pay all costs and reasonable attorney fees Wyboo expends in order to collect the invoiced amount. Please be advised that if you fail to make any one of these payments by the due date, Wyboo will immediately pursue its available remedies through the court system.

RE: Repair work on Step System at _____ Drive, Wyboo Plantation, SC

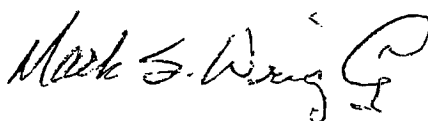
pg 3

Wyboo has entered into this Agreement solely as a courtesy to you and without waiving its position that you are responsible for adequately installing and maintaining your step system. Wyboo continues to deny that it has any responsibility to purchase, install, operate or maintain yours or any other step system in the Wyboo service area. This Agreement only applies to your current step system problem, and does not create a continuing obligation on Wyboo's part to address any future problems that may arise.

With kind regards, I am

Very truly yours,

Wyboo Plantation Utilities, Inc.



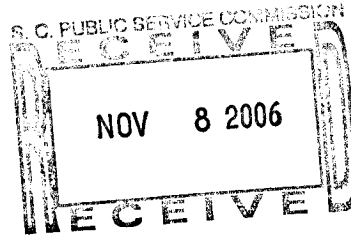
Mark S. Wrigley © 1732

I have fully reviewed and understand all of the terms and conditions of the Agreement set forth in this letter. I have had an opportunity to discuss this matter with counsel of my choosing and with any applicable regulatory bodies. I agree to all terms and conditions set forth herein.

Homeowner Name Print

Homeowner Name Signature

cc: Mr. C G Matthews and Jack Pevitt, South Carolina Department of Health and Environmental Control,
Sumter Branch



THE PUBLIC SERVICE COMMISSION

OF

SOUTH CAROLINA

DOCKET No.: 2005-13-WS

**Application of Wyboo Plantation
Utilities, Inc. for Adjustment of Rates
and Charges for the Provision of
Water and Sewer Service**

PREFILED DIRECT TESTIMONY

OF

LEO C. GALLAGHER

November 8, 2006

1 **Q. Please state your name and address.**

2 **A.** My name is Leo C. Gallagher and I reside at 249 Plantation Drive, Manning, SC
3 29210.

4 **Q. Mr. Gallagher, please give some background as to your chosen career and**
5 **experience.**

6 **A.** I am a retired Certified Public Accountant. My undergraduate degree was
7 obtained from King's College, a Holy Cross school located in Wilkes-Barre, PA. I
8 finished in 1970 with a B.S. in accounting. On November 1973, I sat for and passed the
9 Uniform CPA exam in Richmond, VA.

10 **Q. What is the purpose of your testimony?**

11 **A.** As a homeowner living in the subdivision of Wyboo and also as a member of the
12 Wyboo Plantation Owners Association, Inc.'s (homeowners association) public utility
13 committee, I applied my knowledge of accounting and experience to review the
14 Applicant's rate case application and explain our objections in this testimony. Further
15 my testimony is to show that the rates proposed by Applicant are not fair, justified, and
16 therefore are unreasonable based upon the evidence thus far available. Additionally, my
17 testimony will address the quality of customer service and water quality.

18 **Q. Please summarize your objections to this application.**

19 **A.** The proposed rates, tap fees, and impact fees are not justified. The information
20 that Applicant submitted to the PSC consists of projected costs, that are either not
21 adequately supported or appear to be excessive, and assumptions that do not accurately
22 reflect the actual way that Wyboo residents use the water and sewer systems.

1 The requested rates for sewer and water are unfair because Applicant's water and
2 sewer systems are capable of servicing all of the potential residents in the company's
3 service area while the proposed rates are based on only 334 current water customers and
4 232 current sewer customers. As more customers are added above the projected number
5 used in Applicant's rate increase request, its net income will increase exponentially
6 because total expenses will not increase in proportion to new customers. Only direct
7 expenses will increase proportionately. The utility's requests are therefore not properly
8 measurable according to the test year and current circumstances.

9 Based upon information given the public utility committee and the Office of
10 Regulatory Staff, the Applicant is charging connection fees that were not approved by the
11 Commission. Some customers were instructed to make out their checks for connection
12 fees and boring fees to Wrigley and Associates or Mark Wrigley and Associates. These
13 charges should be refunded and Applicant must be held accountable if found to have
14 violated the Orders of the PSC or applicable laws required of this utility in the services to
15 be provided to the public.

16 Water and sewer rates cannot and should not be associated with the cost of
17 providing the services. Applicant listed all of the company's expenses on Exhibit 2 in its
18 request for an interim order, dated August 17, 2006. However, many of the expenses do
19 not appear to be direct expenses for providing water and sewer service. Some other
20 expenses may not be necessary and/or are not arms-length transactions.

21 The salaries submitted by Applicant are not reasonable. Where is the evidence
22 that supports the number of proposed employees for operating the utility? The evidence
23 fails to tell us who, if any of the proposed employees, were or are working for some

1 employer other than Applicant. Surely the rate paying customers should not be paying
2 for employees serving other interests or employers.

3 Proposed rent expense is to be paid to the Applicant's sole stockholder. The
4 evidence the fair rental value for the building and equipment is arms length.

5 Applicant is listing \$78,552 more in depreciable assets on its tax return than on its
6 request for a rate increase. The evidence fails to prove and this case should determine
7 who owns the equipment and how it is used by the utility to be sure the cost is
8 appropriately assigned for rate determination.

9 The rate case expense should not be allowed if it is amortized for less than three
10 to five years. The Applicant is asking for two years, and such a grant would be harmful
11 to its customers and notwithstanding such shocking rate increase.

12 The assets for the proposed repair and maintenance expense do not appear on
13 Applicant's depreciation schedule. The evidence fails to explain how many times and
14 when these assets are used in the business, as well as to show who owns the assets. A
15 detailed accounting for each repair and maintenance item should be accounted for
16 according to NARUC accounting standards and chart of accounts.

17 Applicant projected total revenues of \$731,123 based on the number of customers
18 as of December 31, 2005. The net operating income of \$158,382 is 21.66% of revenues.
19 However, this percentage is computed using the number of customers as of December 31,
20 2005, and proposed expenses for 2006 and after. Operating income increases to
21 \$766,400 if customers projected at December 31, 2006 are used. This is an increase of
22 \$35, 277, increasing net operating income by \$21,519 to \$179,901 after taxes for a

1 percentage of 24.6%. A net operating margin of 24.6% is egregious, shocking and
2 excessive.

3 If the salaries that are proposed for Mark Wrigley and his family employees, and
4 the net profit on rent are considered in determining the reasonableness of the net
5 operating margin percentage, the percentage would exceed 50%.

6 The proposed rates for residential irrigation and swimming pool owners are not
7 based on how customers use the system. Applicant assumes that residential irrigation
8 customers irrigate 12 months per year and that swimming pool owners completely drain
9 their pools. Irrigation customers do not irrigate 12 months per year and swimming pool
10 owners do not completely drain their pools and refill them each year. We ask the PSC to
11 consider the amount of water that Wyboo residents actually use in determining a fair rate
12 for irrigation and swimming pool use.

13 Applicant does not connect any of the new homes to the water or sewer system. A
14 septic tank contractor connects the home to the system. Also, since all lots in Wyboo
15 Plantation already have taps in front of them, which were paid for as part of the lot price,
16 and building contractors are connecting homes to the water and sewer systems when
17 septic tanks are installed, Applicant is wrongfully charging \$600 for boring. Applicant's
18 interim request of \$700.00 connection fee and its request for a permanent connection fee
19 of \$1,425.00, is excessive, unreasonable, and not supported by actual costs which means
20 it is not measurable. Applicant should be required to furnish actual costs associated for
21 connections that it performed prior to any rate or tariff increases.

1 Because Wyboo lot owners already paid for the sewer and water systems, when
2 the lots were purchased, and Applicant is using the cost of the water tank in calculating
3 its rates, a water impact fee should not be granted.

4 Applicant should continue to be responsible for repair and maintenance of the step
5 systems as stated in DHEC permit 20,955-DW dated April 19, 1996, and its cost should
6 be included in its monthly sewer rates. Applicant is requesting to charge for each repair to
7 a system. However, Applicant is using all of its expenses to justify its request for a rate
8 increase. It is simply wrong to justify repair and maintenance of step systems with the
9 same expenses used to justify sewer rates, the result of which would constitute duplicate
10 billing.

11 **Q. What is the history and background for Wyboo Plantation Subdivision and**
12 **Community?**

13 **A. In 1992, Land Promotions a development company, purchased approximately 600**
14 **acres of land in Clarendon County, South Carolina, and developed what is now known as**
15 **Wyboo Plantation (the subdivision). As part of the development, Land Promotions built**
16 **a water and sewer system to serve all of the platted lots in the subdivision. On October**
17 **20, 1993, the Department of Health and Environmental Control (DHEC) issued permit**
18 **number 18,775-DW to construct a sewer tile field to serve the first 37 homes in the**
19 **subdivision. On October 12, 1995, DHEC issued another permit, number 20,485-DW,**
20 **for construction of a wastewater treatment plant. The plant was designed to treat 184,000**
21 **gallons per day. The original water system consisted of 3 wells with a capacity of**
22 **258,240 gallons of water per day.**

1 At this time, there was more than enough water and sewer capacity for all of the
2 lots in the subdivision. While 188 lots are approved for individual septic systems,
3 approximately 348 lots will eventually be connected to the sewer system. Capacity was
4 based on a Single Family Equivalent (SFE) of 400 gallons per day using DHEC
5 Guidelines for Unit Contributory Loading for Domestic Wastewater Treatment Facilities
6 – 25 S.C. Code of Regulations 61-67 Appendix A. System capacity equals 184,000
7 gallons per day divided by 400 or 460 residences.

8 In 1998, the present service area (in Clarendon County) was established. The area
9 included Wyboo Plantation, Deer Creek, Clubway Commons, Mill Creek, White Oak
10 Pointe, and White Oak Landing. Even with the expansion of the service area, the water
11 system still had more than enough capacity to serve all of the platted lots in the service
12 area. However, the expansion raised the number of potential sewer customers to 522.
13 The treatment plant capacity is 460, 62 less than will eventually be needed. Currently,
14 DHEC is reviewing system capacity and considering the use of 300 gallons per day as the
15 SFE. If DHEC approves 300 gallons per day, then the sewer capacity would increase to
16 613 residences, which is more than the number of platted lots in the homeowner's current
17 service area.

18 The current owner, Mark Wrigley, purchased the utility from Land Promotions,
19 Inc. in April 2001 for \$250,000. The purchase price included 3 wells, sewer and water
20 lines, service connections (taps), pumps, and sewer treatment facilities. After a fourth
21 well was added, the total water capacity increased to 413,760 gallons per day with a
22 reliable capacity of 387,360 gallons per day.

1 The homeowners association represents a community which is essentially a
2 retirement subdivision. The average number of residents per household is 2, and their
3 time spent in the community is just over 11 months per year. Many of the residents have
4 spent their life savings to purchase their homes and are living on fixed incomes. When
5 they became aware of Applicant's rate increase request, they acted through the
6 homeowners association Board of Directors and the public utility committee to defend
7 our residents with the hope of helping them enjoy the remainder of their retirement
8 without the financial burden of excessive water and sewer rates.

9 **Q. What in the record have you reviewed in forming your objections to the**
10 **application?**

11 **A.** My testimony is primarily based upon the answers and documentation submitted
12 by Applicant in its application for a rate increase, applicable state laws and regulations,
13 and without a doubt my own observed recognition of the poor and unreasonable quality
14 of service and course of dealing with customers. In addition, the Applicant's responses to
15 the ORS's continuing data requests and Applicant's water and sewer permits. I have also
16 read a national impact fee survey performed by Duncan Associates which helped me to
17 address these discrepancies I am now testifying about. Also, I have studied the NARUC
18 chart of accounts relating to water utility accounting. The information returned to ORS
19 data requests raise many accounting questions.

20 I have evaluated the reasonableness and necessity of proposed operating
21 expenses, tap fees, and impact fees. A survey was conducted by our utility committee of
22 water and sewer customers. Our committee has a local home building contractor that

1 builds homes in Wyboo Plantation. He has paid for connecting numerous homes to the
2 Applicant's sewer system reflecting charges and fees not provided by the Applicant.

3 Our calculations for water and sewer capacity were based on the number of
4 potential customers presented in Exhibit H --(8) from Applicant's request for a rate
5 increase dated December 29, 2004, and later withdrawn. This document lists 536 lots in
6 Wyboo Plantation, 163 lots in several other subdivisions in the Wyboo area, and 4
7 commercial customers. The 2 mobile home parks, located in Sumter, that are serviced by
8 Applicant, were only used in our calculation of projected revenue and were not used in
9 any of our calculations for plant capacity since they are not connected to the sewer and
10 water system in the Wyboo area.

11 **Q. Please provide a detailed analysis of bases of your objections.**

12 **A.** I will finish by testifying as to various Categories reflected as follows:

13 **WATER AND SEWER CONNECTION FEES**

14 Applicant is charging water and sewer connection and tap fees that were not
15 approved by the PSC. According to a local building contractor, Applicant was collecting
16 a \$300 water tap fee and a \$500 sewer tap fee. Starting in July 2004, Applicant raised the
17 water tap fee to \$450 and in 2006 the sewer tap fee was increased to \$650 without PSC
18 approval. In several instances, Applicant charged homeowners boring fees of \$600 for
19 water and \$600 for sewer. These fees were not approved by the PSC.

20 Also, in 2006, Mark Wrigley, the sole stockholder of Applicant, instructed
21 customers to make out their checks for tap fees and boring fees to Wrigley and
22 Associates or Mark Wrigley and Associates. ORS's First Continuing Data Request
23 question 1.4, asked Applicant to "Identify all subsidiaries, parent or affiliated companies

1 of Wyboo and state which entities, if any, are regulated by the Public Service
2 Commission of South Carolina.” Applicant stated in its September 12, 2006 response
3 “None”.

4 In Docket No. 97-391-S – Order No. 98-33, dated January 19, 1998, the PSC
5 approved a sewer tap fee of \$500. On page 5 of its application for approval of new
6 schedules of rates and charges for water and sewer services, dated August 17, 2006,
7 Applicant states that “The Utility’s currently approved connection fee for new sewer
8 customers is \$500.00.” Also, on page 5, Applicant states that it “has never had a water
9 service connection fee specifically approved by the commission.” However, on January
10 4, 2002, Applicant sent a letter to all lot owners stating that “You are required to make
11 application for water service when you receive your building permit. Tap fees at the
12 present are as follows: short taps = \$300.00 and long taps (taps which have to be bored) =
13 \$385.00.” Therefore,

- 14 • Applicant should refund all of the water tap fees it received from its inception
15 to present.
- 16 • Applicant should be ordered to refund sewer tap fees that it collected in excess
17 of \$500.
- 18 • Applicant should be ordered to refund all fees for boring that it collected.
- 19 • Applicant should be held accountable by the PSC for each instance that it
20 charged rates or fees that were not approved.
- 21 • The question of why Wrigley and Associates or Mark Wrigley and
22 Associates collected tap fees must be determined.

1 **PROPOSED RESIDENTIAL WATER AND SEWER RATES**

2 Applicant proposed rate increase for water is excessive. The new rates are based
3 on projected operating expenses that are not based on historical costs or experience,
4 transactions that are not arms-length, revenue projections that only include customers as
5 of December 31, 2005, and incorrect assumptions as to how Wyboo residents use water.

6
7 **Expenses.** Because of the way in which Applicant presented its rate increase request,
8 water and sewer rates cannot be associated with the cost of providing the services.
9 Applicant listed all of the company's expenses on Exhibit 2 in its request for an interim
10 order, dated August 17, 2006. However, many of the expenses do not appear to be direct
11 expenses for providing water and sewer service. Some other expenses may not be
12 necessary and/or are not arms-length transactions. Applicant did not submit enough
13 information to determine if many of the other expenses are reasonable or even needed to
14 operate the business. The ORS requested additional information for Applicant expenses
15 including a detailed general ledger for the year ending 12/31/05 and detailed trial
16 balances for years ending 12/31/2003, 2004, and 2005. Because it did not have trial
17 balances and a general ledger, Applicant submitted check registers for 2004 and 2005 and
18 spreadsheet of expenses summarized by month for 2005. The expense names contained in
19 Applicant rate increase request did not match the expense names in the spreadsheet
20 submitted to ORS, and therefore, could not be used to analyze Applicant expenses.

21 Expense items, such as salary expense and rent expense, are transactions between
22 Applicant and its sole stockholder, Mark S. Wrigley.

1 **Employee Salaries.** At least \$194,537.60 of the proposed salaries of \$248,451 is to be
2 paid to the owner of Applicant and his family. In its partial response to ORS's First
3 Continuing Data Request dated 9/12/06, Applicant states that it was paying its employees
4 substantially below market. Around May 2006, Applicant increased certain employee
5 salaries so that they are now consistent with the local market for similar services and
6 positions. Applicant cites local market for setting salaries but did not submit any
7 documentation to show what the local market rate amounts are.

8 The salaries shown in Exhibit 2 of its 9/19/06 response to ORS First Continuing
9 Data Request are \$232,123.20. However, there was an addition error. The correct
10 amount is \$273,681.60. The salary expense shown in Exhibit 2 of its Application and
11 Request an Interim Order dated 8/17/06 is \$248,451. The difference is \$25,230.60,
12 \$25,268 increased Operator salary and a \$38 addition error.

13 Based on an interview with the former manager of Applicant, one licensed system
14 manager was contracted to operate the utility. This individual was on call 24 hours per
15 day. Another contractor was on call 24 hours per day for repair work. This contractor
16 was paid per repair job. In addition, the development trained one of its maintenance
17 employees to service the holding tanks. This individual worked on the tanks as needed.

18 Applicant is proposing 7 employees, at a cost of \$273,681 per year, and 2
19 contractors, at a cost of \$7,200 per year, to operate the business.

20 The PSC should determine:

- 21 • if the salaries submitted by Applicant are reasonable.
- 22 • the number of employees needed to operate the utility.

- if any of the proposed employees were or are working for some employer other than Applicant and if so are they planning to terminate their employment to work at Applicant full time.

Rent Expense. Applicant is renting its office space and office equipment at 19 Broad St., Sumter from its sole stockholder, Mark S. Wrigley. The proposed rent is \$1,500 per month for the building and \$500 per month for office equipment. In addition, the tenant is to pay all real estate taxes and personal property taxes.

Prior to its rate increase request, Applicant was expensing Mark S. Wrigley's personal loan payments (\$1,000.18) for the purchase of the company headquarters. Applicant's proposed rent, of \$2,000 per month plus taxes, is more than double the amount that Mark S. Wrigley is paying per month for the facility. Mr. Wrigley will receive approximately \$12,000 annual profit. This does not appear to be an arms-length transaction. Also, there is no information in Applicant documentation as to the Fair Market Rental Value of the property and equipment.

- The PSC should determine the fair rental value for the building and equipment.

1 **Depreciation Expense.** Applicant submitted three different depreciation schedules to
2 the PSC and ORS. In its partial response to ORS's First Continuing Data Request dated
3 9/12/06, Applicant included 2 depreciation schedules. One, which was also included in
4 its Request for Interim Order dated 8/17/06, shows depreciable assets of \$632,903 (this
5 amount includes the water tank that was finished in 2006), the other shows depreciable
6 assets of \$4,089,741.

7 A third depreciation schedule, as part of its tax returns for 2004 and 2005, lists
8 depreciable assets of \$334,756. \$256,204 represents the assets purchased from Land
9 Promotions and equipment purchased in 6/01 and 1/03. \$78,552 is for a backhoe,
10 trencher, flatbed truck, and a Ford Explorer, all purchased in 2004.

11 Applicant did not include the \$78,552 made up of vehicles and equipment in its
12 Request for Interim Order dated 8/17/06. It could not be determined if Applicant was
13 using the depreciation as part of its rate justification or to justify connection fees and
14 impact fees.

15 The \$78,552 could be vehicles and equipment owned personally by Mark S.
16 Wrigley or an affiliated company. However, in its First Continuing Data Request dated
17 9/12/06, Applicant is showing auto and truck expense of \$23,408.

18 No other documentation could be found to support the \$4,089,741 of depreciable
19 assets. It appears that this may be a list of items purchased from Land Promotions.

20 The PSC should determine:

- 21 • who owns the \$78,552 of equipment and how it is used by the utility.
- 22 • the origin of the \$4,089,741.

Rate Case expense. Applicant proposes to use this expense of \$50,000 plus additional expense to be entered as a late exhibit, which for legal and accounting purpose, has the effect of setting its rates. It proposes to amortize this expense over 2 years.

This expense is a non-recurring expense and should be amortized over a longer period.

The PSC should determine:

- if this expense should be allowed to set rates.
- the number of years for amortizing this expense.
- the actual amount of the expense.

Maintenance and Repairs Expense Auto and Truck Expense. Applicant does not include any autos or trucks on the depreciation schedule that was submitted to the PSC in its rate increase request. However, on its tax return Applicant lists the following on its depreciation schedule:

<u>Item</u>	<u>Date Acquired</u>	<u>Cost</u>
Case Hoe	02/04	\$19,212
Trencher	03/04	3,937
Ford Flatbed	02/04	20,594
Ford Explorer	01/04	<u>34,809</u>
Total		\$78,552

This discrepancy raises the question whether Mark Wrigley owns the auto and trucks and Applicant is reimbursing him for their use.

We ask that the PSC require the Applicant to:

- explain how many times and when these assets are used in the business.
- show who owns the assets.
- provide a detailed accounting for each repair and maintenance item.

Revenue Projections. Applicant projected total revenues of \$731,123 shown on Exhibit 2 of its request for an interim order, dated August 17, 2006, is based on the number of customers as of December 31, 2005. The net operating income of \$158,382 also contained in this exhibit is 21.66% of revenues. However, this percentage is computed using the number of customers as of 12/31/05 and proposed expenses for 2006 and after. Operating income increases to \$766,400 if customers projected at 12/31/06 is used. This is an increase of \$35, 277, increasing net operating income by 21,519 to \$179,901 after taxes for a percentage of 24.6%.

Using customers as of December 31, 2005, to project revenues, and the resultant operating margin, places an inequitable burden on current customers. The customer base used for revenue projections represents only 43% of all potential customers while the current water and sewer system has capacity to service more than all the potential customers, (771 water and 522 sewer based on all platted lots) in Applicant's service area.

Each year as some of the potential customers are connected to the system, revenue will increase exponentially compared to the cost of providing the service. Some expenses will increase such as electricity, chemicals, office supplies and postage (for printing and mailing more monthly bills), gross receipts taxes, and income tax. However, all of

1 Applicant's expenses will not increase in proportion to revenue. Thus, every year the net
2 operating margin percentage will increase.

3 In its application for approval of new schedules of rates and charges for water
4 services, Applicant is requesting to raise its rates due to increased operating costs and
5 expenses, the need for a reasonable operating margin, and to attract capital or borrow
6 funds for future improvement.

7 A net operating margin of 24.6% is excessive. If the salary that is proposed for
8 Mark Wrigley, proposed salaries to Mr. Wrigley's family, and the net profit on rent, are
9 considered in determining the reasonableness of the net operating margin percentage, the
10 percentage would be over 50%.

11 In determining a reasonable operating margin, we ask that the PSC take into
12 consideration the:

- 13 • total potential customers in the Applicant's service area.
- 14 • Wrigley family salaries and net rental income.

15
16 **Customers Use of Water.** The proposed rates are not based on how customers use the
17 system. Applicant assumes that residential irrigation customers irrigate 12 months per
18 year and that swimming pool owners completely drain their pools and refill them each
19 year and use the same amount of water each month to maintain their pool water level as
20 they do to irrigate their lawns. (Based on \$25 per month charge for pool owners and
21 irrigation customers.)

22 **Residential Irrigation.** Based on a survey of Wyboo Plantation residents, the average
23 number of minutes per day that irrigation customers water their lawns is 76.52. The

1 average number of days per week that residents irrigate their lawns is 3.922. And average
2 number of months per year that residents water their lawns is 6.783.

3 Assuming that the water flow per minute is 5 gallons, the average amount of
4 water used per year for irrigation is 43,513 gallons. Using the cost per gallon of \$.0035
5 that Applicant lists on its response, dated September 12, 2006, to question 1.6 on ORS'
6 First Continuing Data Request that explains Applicant request for annual fill up of a
7 swimming pool, the annual cost for irrigation would be \$152.30 or \$12.70 per month.

8
9 **Residential Swimming Pools.** In its partial response to ORS's First Continuing Data
10 Request dated 9/12/06, HOMEOWNERS explains how it arrived at the \$39.27 charge for
11 annual fillup of a swimming pool.

12 Applicant uses a 20' X 15' X 5' pool and a cost per gallon of water of \$.0035 for
13 its calculations. Total gallons per pool = 11,220 X .0035 = \$39.27

14 Applicant assumes that Wyboo Plantation residents drain their pools in the winter.

15 The \$25 charge per month for 6 months is not explained.

16 Using Applicant estimates and cost per gallon, Applicant assumes that Wyboo
17 Plantation residents add 7,142 gallons of water per month to their pools ($\$25 / .0035 =$
18 7,142). This amounts to adding 63.6% of the total pool capacity each month.

19 Based on our survey of Wyboo residents, the amount of water that residential
20 swimming pool owners draw down after the swimming season is zero, the amount of
21 water that residential swimming pool owners add before the swimming season is also
22 zero, and the amount of water that residential swimming pool owners add to their pools
23 during the season averages 2,045 gallons. Using the cost per gallon of \$.0035 that

1 homeowners lists on its response, dated September 12, 2006, to question 1.6 on ORS'
2 First Continuing Data Request that explains homeowners request for annual fill up of a
3 swimming pool, the annual cost for water for residential pools would be \$7.16 or \$.60 per
4 month.

- 5 • In determining a fair rate for irrigation and swimming pools, the PSC should
6 consider the amount of water that Wyboo residents actually use.

7 **PROPOSED WATER AND SEWER CONNECTION FEES**

8 Because water connection fees were never approved by the PSC, Applicant
9 requested an interim order allowing it to collect a portion of the requested connection fee
10 from new water customers. In its request, Applicant states that "the Utility incurs very
11 real costs of \$1,425.00 for every new water customer it connects to the system."

12 Applicant has never connected any of the new homes to the water or sewer
13 system. A contractor must pay a septic tank contractor to connect a home to the system.
14 In its request for an interim order, Applicant states "Even though the Utility will show
15 that the actual cost of these connections is \$1,425.00, the Utility hereby requests that the
16 Commission enter an order allowing the Utility to collect slightly less than one-half of
17 that, or \$700.00, pending Commission ruling on this docket."

18 In 2006, Applicant contracted with a local contractor to bore under roads in
19 Wyboo Plantation when the sewer and water lines were on the opposite side of the street
20 from the house. Applicant charged the homeowner \$600 for each bore. This charge was
21 never approved by the PSC.

22 According to Chapters 103-500 and 103-700, S.C. Code of Regulations Chapter
23 103 Public Service Commission - Code of Regulations tap fees are a non-recurring, non-

1 refundable charge related to connecting the customer to the utility's system which
2 includes the cost of installing the utility's service line from the main to the customer's
3 premises and a portion of plant capacity which will be used to provide service to the new
4 customer. Plant capacity shall be computed by using the Guide Lines for Unit
5 Contributory Loadings to Wastewater Treatment Facilities (1972) to determine the single
6 family equivalency rating.

7 Since all lots in Wyboo Plantation already have taps in front of them, which were
8 paid for as part of the lot price, and building contractors are connecting homes to the
9 water and sewer systems when septic tanks are installed, and the fact that the Applicant is
10 unlawfully charging \$600 for boring, Applicant's interim request of \$700.00 connection
11 fee and its request for a permanent connection fee of \$1,425.00, appears to be excessive,
12 unreasonable, and not supported by actual costs.

13 We ask that the PSC require the Applicant to document all:

- 14 • water and sewer connections that it installed.
- 15 • actual costs associated for connections.

16 **PROPOSED IMPACT FEES**

17 The proposed sewer and water impact fees should not apply to any of the lots in
18 Wyboo Plantation and possibly to any other platted lots in the Applicant's service area.

19 The cost of the water and sewer systems (with the exception of the water tank that
20 was finished in 2006) was recovered in the selling price of each lot in Wyboo Plantation.

1 **Water Impact Fee.** All of the lots in Wyboo Plantation have access to the water system.

2 Each lot either has its own tap or shares a tap with an adjacent lot.

3 The reliable capacity of the water system is 387,360 gallons per day. Using a
4 single family equivalent (SFE) of 400 gallons per day, the system has enough capacity to
5 serve 968 customers.

6 Including all platted lots and commercial customers, there are 771 SFE's in the
7 Applicant service area. It is obvious that the water supply far exceeds the needs of all
8 present and future customers in the Applicant's service area and therefore expansion is
9 not necessary. Unfortunately the water quality and pressure does not meet the standards
10 required.

11 In its rate increase request, the Applicant is using depreciation on the water tank
12 and the interest expense for the financing to justify its rates which means that all current
13 and future water customers will paying for the tank in their monthly bill.

14 Because Wyboo lot owners already paid for the sewer and water systems and the
15 cost of the water tank is being recovered in monthly bills, we do not believe that a water
16 impact fee should be granted.

17
18 **Sewer Impact Fee.** Since the lot owners in Wyboo Plantation already paid for the sewer
19 system and since Wyboo does not constitute new development, Wyboo lot owners should
20 not be assessed a sewer impact fee.

21 According to its 2005 National Impact Fee Survey, Duncan Associates, a national
22 planning consulting firm, explains the characteristics of impact fees as: "Their common
23 characteristics are that (1) they are charged only to new development, (2) they are

1 standardized fees as opposed to ad hoc, negotiated payments, and (3) they are designed
2 and used to fund capital improvements needed to serve growth.”

3 The Wyboo Plantation developers built the water and sewer systems for Wyboo
4 Plantation. The cost was processed through lot sales, which is a common practice for real
5 estate developers. The utilities are then deeded to a municipality or other available public
6 utility companies who are permitted to operate and charge fees approved by the PSC. In
7 the case of Wyboo Plantation, there were none available so Wyboo Plantation Utilities,
8 Inc. was formed as a wholly owned subsidiary of Wyboo Plantation Developers.

9 Three hundred and forty eight lots in Wyboo Plantation will eventually be
10 connected to the sewer system. The capacity of the treatment plant is 184,000 gallons per
11 day. Using an SFE of 400 gallons per day, results in 460 homes ($184,000 / 400$).

12 When the service area was expanded in 1998, the potential sewer SFE's increased
13 to 522, which would require a treatment plant capacity of 208,804 gallons per day.

14 DHEC sewer permit, dated 10/12/95, is for an 184,000 gallon per day treatment
15 plant or 460 SFE ($184,000/400$). However, in a permit dated 12/20/00, DHEC allowed
16 an SFE of 300 gallons per day. If 300 gallons is used, the current plant could serve 613
17 SFE and therefore would not need to be expanded at this time.

18 Based on our survey of Wyboo Plantation residents, the number of people per
19 household is 2. We believe that 2 people will use less than 300 gallons of water per day.
20 One resident who has a water meter is averaging 134 gallons per day over a 7-year
21 period.

22 We ask that the PSC deny Applicant's request for water and sewer impact fees for:

- 23
- Wyboo Plantation lot owners.

- All platted lot owners in the Applicant's service area if DHEC approves the use of a 300 gallon per day SFE.

STEP SYSTEMS

Applicant should continue to be responsible for repair and maintenance of the step systems, and the cost should be included in its monthly sewer rates.

DHEC permit 20,955-DW dated April 19, 1996 states in the Special Conditions section:

1. Before any connection can be made to this system, Wyboo Plantation and the property owner must enter into a written agreement which must establish:

a. The service line from the house to the solids interceptor tank will be owned and maintained by the property owner.

b. The solids interceptor tank and all parts of the system following it will be owned and maintained by Wyboo Plantation.

Every lot in Wyboo Plantation has access to a water tap, and lots that are not approved for an individual septic tank and drain field have access to the sewer system.

Each sewer customer in Wyboo Plantation has a 1,000 gallon gravity flow solids tank connected to a 500 gallon holding tank that uses a 1 horse power pump, that includes float controls and an alarm float, to pump gray water to the treatment plant.

The Applicant is requesting to charge for each repair to the systems, which by DHEC permit, it owns. Also, because the Applicant is using all of its expenses to justify its request for a rate increase, we believe that justifying this charge with the same expenses would constitute duplicate billing.

- We ask the PSC not to grant the Applicant's request for this charge.

1 **Q.** **Does this conclude your testimony at this time?**

2 **A.** Yes, thank you.